

§ 256.01-9

municipality, or other political subdivision of a State which under the laws of such State has jurisdiction to regulate public-utility companies.

(o) *Uniform system of accounts* means the Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies prescribed herein, as amended from time to time.

(p) *Work order system* means a system for the accumulation of service company cost on a job, project, or functional basis. It includes schedules and worksheets used to account for charges billed to single and groups of associate and nonassociate companies.

§ 256.01-9 Unbilled items.

When the amount of any known item affecting these accounts cannot be accurately determined in time for inclusion in the accounts of the fiscal year in which the transaction occurs, the amount of the item shall be estimated and included in the proper accounts. When the amount is ascertained, the necessary adjustments shall be made through the accounts in which the estimate was recorded. If it is determined during the interval that a material adjustment will be required, the estimate shall be adjusted through the current accounts. The service company is not required to anticipate minor items which would not appreciably affect these accounts.

§ 256.01-10 Billing procedures.

All invoices for services rendered to associate companies shall be submitted monthly with sufficient information and in sufficient detail to permit the associate company to identify and classify the charge in terms of the system of accounts prescribed by the regulatory authorities to which it is subject. Each month a statement shall be rendered to the associate company containing a summary of the accounts by work order by which the charges, classified as direct cost, indirect cost, and compensation for use of capital, can be entered in the accounts of the associate company.

§ 256.01-11 Methods of allocation.

Indirect costs and compensation for use of capital shall be allocated to

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work orders in accordance with the service company's applicable and currently effective methods of allocation filed with the Commission. Both direct and allocated indirect costs of work orders for two or more associate companies shall be allocated among such companies in the same manner. Each work order should identify the methods of allocation to associate companies and the accounts to be charged. The associate companies should be notified in writing of any change in the methods of allocation.

§ 256.01-12 Compensation for use of capital.

Paragraph (a) of Rule 91 provides in pertinent part that a servicing transaction shall be deemed to be performed at no more than cost if the price of such service does not exceed a fair and equitable allocation of expenses plus reasonable compensation for necessary capital procured through the issuance of capital stock. Interest on borrowed capital and compensation for the use of capital shall only represent a reasonable return on the amount of capital reasonably necessary for the performance of services or construction work for, or the sale of goods to, associate companies. Such compensation may be estimated and shall be computed monthly in the manner prescribed by the Commission. The amount of compensation shall be stated separately in each billing to the associate companies. An annual statement to support the amount of compensation for use of capital billed for the previous twelve months and how it was calculated shall be supplied to each associate company at the end of the calendar year.

§ 256.01-13 Submission of questions.

To promote and maintain uniformity in accounting, the service companies shall submit all questions of doubtful interpretation of the prescribed accounting to the Division of Corporate Regulation or its successor for consideration and decision.

Securities and Exchange Commission

§ 256.144

BALANCE SHEET ACCOUNTS: ASSETS AND OTHER DEBIT ACCOUNTS

1. SERVICE COMPANY PROPERTY

§ 256.101 Service company property.

This account shall include the cost of service company property included in accounts 301 and 303 through 311 prescribed herein.

§ 256.107 Construction work in progress.

This account shall include the total of the balances of work orders for service company property in process of construction. Work orders shall be cleared from this account as soon as practicable after completion of the job.

§ 256.108 Accumulated provision for depreciation and amortization of service company property.

(a) This account shall be credited with the amount charged to account 403, Depreciation and amortization expense.

(b) At the time of retirement of depreciable service company property, this account shall be charged with the book cost of the property retired and the cost of removal, and shall be credited with the salvage value and any other amounts recovered, such as insurance, unless the company maintains costs and related reserves for specific units or types of property.

(c) Individual subaccounts for each classification of property listed under account 101, Service company property, shall be maintained.

2. INVESTMENTS

§ 256.123 Investment in associate companies.

This account shall only include notes receivable, advances, and other balances in open accounts with associate companies, which are not subject to current settlement.

§ 256.124 Other investments.

This account shall include the cost or current value of investments, whichever is less, in securities, club memberships, associations, life insurance policies for employees, or other investments in nonassociate companies, other than account 136, Temporary

cash investments. This account shall not be used for advances to associate companies. The account shall be maintained in such manner as to show by subaccounts, or otherwise, the nature and amount of each investment.

3. CURRENT AND ACCRUED ASSETS

§ 256.131 Cash.

This account shall include the amount of current cash funds except working funds.

§ 256.134 Special deposits.

This account shall include deposits with fiscal agents or others for special purposes. Entries to this account shall specify the purpose for which the deposit is made.

§ 256.135 Working funds.

This account shall include cash advanced to officers, agents, employees and others as petty cash or working funds.

§ 256.136 Temporary cash investments.

This account shall include the cost of investments, such as demand and time loans, bankers' acceptances, United States Treasury obligations, marketable securities, and other similar investments, acquired for the purpose of temporarily investing cash.

§ 256.141 Notes receivable.

This account shall include the cost of all notes receivable and similar evidences of amounts due within one year from persons other than associate companies. The account shall be so maintained as to show separately amounts due from officers, directors, employees and others.

§ 256.143 Accounts receivable.

This account shall include amounts due on open accounts, other than amounts due from associate companies.

§ 256.144 Accumulated provision for uncollectable accounts.

This account shall be credited with amounts provided for losses on notes and accounts receivable which may become uncollectable, and also with collections on accounts previously charged hereto.